

PUBLIC DISCLOSURE

JANUARY 22, 2002

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

CAPITAL CROSSING BANK

101 SUMMER STREET
BOSTON, MA 02110

DIVISION OF BANKS
ONE SOUTH STATION
BOSTON, MA 02110

<p>NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Division of Banks (Division) to use its authority when examining financial institutions subject to its supervision to assess the institution's record of meeting the needs of its entire assessment area, including low and moderate-income neighborhoods, consistent with the safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **CAPITAL CROSSING BANK** prepared by the Massachusetts Division of Banks, the institution's supervisory agency, as of **JANUARY 22, 2002**. The Division evaluates performance in the assessment area(s), as they are defined by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The Division rates the CRA performance of an institution consistent with the provisions set forth in 209 CMR 46.00.

INSTITUTION'S CRA RATING: This institution is rated "Satisfactory."

Capital Crossing Bank was evaluated under the Community Reinvestment Act Large Institution Examination Procedures. Under these procedures, performance is measured through the Lending, Investment, and Service tests. The following summary highlights the results of efforts made by the Board of Directors, Management, and bank staff to meet the bank's CRA responsibilities.

The institution's lending efforts were rated under seven major performance criteria: Lending Activity, Geographic Distribution, Borrower Characteristics, Community Development Lending, Innovative or Flexible Lending Practices, Loss of Affordable Housing, and Fair Lending.

With respect to the bank's lending performance, primary emphasis was placed on the bank's business focus and community development loans. The bank's volume of mortgage and small business lending is considered reasonable with 1,608 HMDA reportable loans and 1,075 small business loans originated and purchased in 2000 and 2001. Only a small percentage of these are located within the bank's assessment area, due to the fact that the bank focuses on whole loan purchasing nationwide. Capital Crossing Bank's business strategy is to purchase loans at a discount to face value. These discounts are generally available due to the complexity of holding and servicing such loans. Capital Crossing Bank also receives discounts for loans that may not be performing as agreed and require a modification of terms or workout arrangement.

Fair Lending policies and practices are evaluated under the Lending Test. Based on the institution's efforts, and described in detail in the Lending Test section, Capital Crossing Bank's performance is considered to be Satisfactory.

Capital Crossing Bank's qualified investments consist of an equity investment, certificates of deposit and charitable contributions. Donations were made to organizations that serve the needs of low and moderate-income individuals and organizations serving low and moderate-income areas. Overall, Capital Crossing Bank has exhibited a good responsiveness to credit and community economic development needs. The bank's investment performance receives a rating of Satisfactory.

Directors, management and bank staff have demonstrated a high level of service activity and involvement in community organizations throughout its assessment area. Many of the organizations promote economic development, area revitalization, and youth programs. A rating of Satisfactory is warranted.

LENDING, INVESTMENT, AND SERVICE TEST TABLE

The following table indicates the performance level of **Capital Crossing Bank, Boston, Massachusetts**, with respect to the lending, investment, and service tests.

PERFORMANCE TESTS			
Bank Name			
Performance Levels	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory			
Satisfactory	X	X	X
Needs to Improve			
Substantial Non-Compliance			

*Note: The Lending Test is weighed more heavily than the Service and Investment Tests when arriving at an overall rating.

DESCRIPTION OF INSTITUTION

Capital Crossing Bank is a commercial bank headquartered at 101 Summer Street in Boston, Massachusetts. Formerly, Atlantic Bank and Trust Company, the bank changed its name to Capital Crossing Bank in September of 1999, prior to launching its internet banking website (www.capitalcrossing.com) in October of that year.

Capital Crossing Bank also maintains a branch office located at 1220 Boylston Street in Chestnut Hill, Massachusetts. The bank operates as a commercial institution that provides financial and deposit services to individuals and entrepreneurs in its assessment area. The bank focuses on whole loan purchasing, and lease financing. Then primary business focus is the acquisition of income producing real estate loans secured by commercial real estate and non-owner occupied residential real estate including multifamily dwellings. These loans are acquired through the purchase of loan pools from sellers in the private sector and government agencies nationwide.

In addition to commercial loan purchases, the bank engages in lease financing through its subsidiary, Dolphin Capital Corporation, located in Moberly, Missouri. This entity originates computer and equipment leases to individuals and small businesses.

The bank has experienced significant growth since the previous Division of Bank's examination dated December 28, 1999. As of December 31, 2001, the bank had total assets of \$1 billion. This represents a growth of almost \$488 million or 86.4 percent since September 30, 1999. This growth is fueled by Capital Crossing Bank's loan pool acquisition activity. As of December 31, 2001, total loans were approximately \$727 million or 68.9 percent of total assets. Loans have grown approximately \$260 million or 55.6 percent since the last examination.

The focus of Capital Crossing Bank on loan acquisition versus origination is based in part on the highly competitive marketplace in which it operates. Many competitors are large regional banks, such as Fleet. There are also several thrifts, credit unions, and mortgage companies located within the assessment area. According to PCI Services, Inc. CRA Wiz, 608 institutions have either originated or purchased loans within the bank's assessment area in 2000. Adding to the competition is the expanded reach of Internet banks and non-bank financial institutions. In the leasing business the bank faces stiff competition as well. Competitors include national as well as local banks, finance companies, and manufacturers that lease or finance the sale of their own products.

The most recent CRA evaluation, dated November 14, 2000, by the Federal Deposit Insurance Corporation, resulted in an overall rating of "Satisfactory." This was the bank's first examination in which the bank was evaluated under the Large Bank CRA performance standards. Prior to that evaluation, the Division of Banks conducted a CRA evaluation dated December 28, 1999, utilizing the Small Bank CRA procedures and deemed the bank's performance to be "Satisfactory." There appear to be no financial or legal

impediments that limit Capital Crossing Bank's ability to help meet the credit needs of its assessment area.

DESCRIPTION OF ASSESSMENT AREA

Demographic and Economic Data

The Community Reinvestment Act requires a financial institution to identify an assessment area in which it intends to focus its lending efforts. The assessment area delineated by the bank is based on the location of its main office and Chestnut Hill branch office. The assessment area consists of Middlesex and Suffolk counties in their entirety and the town of Brookline, located in Norfolk County. This assessment area contains 479 census tracts, located within the Boston, Lowell, and Fitchburg-Leominster Metropolitan Statistical Areas (MSA). Of the 479 census tracts, 110 are designated as upper-income, 179 as middle-income, 136 as moderate-income, 47 as low-income, and the remaining 7 are designated as NA due to the lack of population in those census tracts.

The bank's main office is located in a low-income census tract in the financial district section of Boston (Suffolk County), and the branch is located in an upper-income tract in the Chestnut Hill section of the town of Brookline (Norfolk County). Refer to the table below for a complete breakdown of the number and percentage of census tracts within the various counties.

ASSESSMENT AREA CENSUS TRACT						
COUNTY	LOW	MODERATE	MIDDLE	UPPER	NA	TOTAL
MIDDLESEX	7	51	130	89	1	278
SUFFOLK	40	85	45	13	6	189
NORFOLK*	0	0	4	8	0	12
TOTAL	47	136	179	110	7	479
PERCENT	9.8	28.4	37.3	23.0	1.5	100.0

*Contains only the Town of Brookline

Capital Crossing Bank's assessment area, as defined, meets all regulatory requirements. In establishing an assessment area, the CRA regulation requires that an institution not arbitrarily exclude any low or moderate-income areas. A review of geographies located just outside the assessment area revealed there are no low or moderate-income census tracts that would be reasonable for Capital Crossing Bank to include in its assessment area.

According to 1990 census data, the assessment area contained a population of 2,117,092. Middlesex County contained 66.1 percent of the total population in the bank's assessment area. Refer to the following table.

ASSESSMENT AREA POPULATION		
COUNTY	NUMBER	PERCENTAGE
MIDDLESEX	1,398,468	66.1
SUFFOLK	663,906	31.3
NORFOLK*	54,718	2.6
TOTAL	2,117,092	100.0

*Contains only the Town of Brookline

There are 858,425 housing units located within the assessment area. The proportion of owner-occupied and renter-occupied units is comparable with 47.3 percent owner-occupied units and 46.8 percent renter-occupied units. One-to-four family units represent 69.6 percent while multifamily units represent 29.0 percent of the total number of housing units within the assessment area.

According to information obtained from PCI Services, Inc. CRA Wiz, Capital Crossing Bank operates in an extremely competitive assessment area. Approximately 608 lenders have originated and/or purchased HMDA reportable loans within the bank's assessment area. Other financial institutions located in the assessment area are similar in asset size. No other institution, however, has a similar business focus or lending strategy.

Major employers in the bank's assessment area include companies such as Gillette Company, John Hancock Insurance Company, and Fidelity Investments; large teaching hospitals such as Massachusetts General Hospital and New England Medical Center and educational institutions including Harvard University and Boston University.

According to information obtained from the Massachusetts Department of Employment and Training, the annual unemployment average in Massachusetts grew from 2.6 percent in 2000 to 3.6 percent in 2001. Unemployment rates ranged from a low of 3.1 percent reported in February of 2001 to a high of 4.0 percent in November of 2001. The national average also increased from 4.0 percent in 2000 to 4.8 percent in 2001, with the lowest percent of 4.1 reported in May of 2001 and the highest percent of 5.4 percent reported in December of 2001.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

The institution's Lending Test performance was rated an overall "Satisfactory." The institution's lending efforts are rated under the seven major performance criteria: Lending Activity, Geographic Distribution, Borrower Characteristics, Community Development Lending, Innovative or Flexible Lending Practices, Fair Lending, and Loss of Affordable Housing. The following information details the data compiled and reviewed, as well as conclusions on the bank's performance.

Scope of Evaluation

The lending test evaluates an institution's record of helping to meet the credit needs of its assessment area based on an analysis of its small business, residential mortgage, and community development loans. Small business loans and residential mortgage loans originated during 2000, and 2001 were included in the bank's performance.

The data used to evaluate the bank's lending was derived from the bank's CRA Disclosure Statement and the Home Mortgage Disclosure Act/ Loan Application Register (HMDA/LAR).

I. Lending Activity

Capital Crossing bank's lending activity and record of extending credit were reviewed during the course of the examination.

The bank's assets totaled \$1,054,698,000 as of December 31, 2001. Gross loans totaled \$727 million representing 68.9 percent of total assets.

As of December 31, 2001 the net loan to deposit ratio was 101.3 percent. This ratio has increased from 82.1 percent on December 31, 2000. The increase in this ratio is a result of deposits increasing by only 3.0 percent, while net loans increased 27.2 percent. According to the September 30, 2001, Uniform Bank Performance Report (UBPR), the bank's net loan to deposit ratio was 92.9 percent. The peer group's net loan to deposit ratio was 82.7 percent, placing the bank in the 76th percentile.

The bank's net loans and leases as a percent of assets, as reported in the September 30, 2001, Uniform Bank Performance Report (UBPR), was 70.9 percent. The peer group's net loan to asset ratio was 67.3 percent, placing the bank in the 60th percentile. The bank's ratio is higher than the peer group's. It should be noted that the UBPR determines a peer ratio based on similarly sized banks nationwide without regard to regional or state differences.

Inside and Outside the Assessment Area

Capital Crossing Bank's Small Business Loan Registers (SBLRs) were reviewed to determine the amount of credit extended within the assessment area. For purposes of this loan register, a small business loan is defined as "a loan with an original amount of \$1 million or less that is: secured by non-farm nonresidential properties; or commercial and industrial loans to US addressees, as defined in the FDIC Call Report Instructions." The bank originated or purchased 1,075 small business loans totaling \$201.9 million during this period. A total of 33 loans totaling \$12 million were originated to businesses within the bank's assessment area, representing 3.1 percent by number and 5.9 percent by dollar volume. Please refer to the following table detailing the distribution of small business loans inside and outside the assessment area.

Distribution of Small Business Loans Inside and Outside of the Assessment Area								
Year	Inside				Outside			
	Number of Loans		Dollar in Loans (000s)		Number of Loans		Dollars in Loans (000s)	
	#	%	\$	%	#	%	\$	%
2000	9	11.3	4,566	15.8	71	88.7	24,354	84.2
2001	24	2.4	7,400	4.3	971	97.6	165,582	95.7
Total	33	3.1	11,966	5.9	1,042	96.9	189,936	94.1

Source: CRA Data Collection

As shown in the above tables, the small business loan distribution reflects a less than reasonable responsiveness to the assessment area's credit needs based on the low percentage of small business loans originated or purchased inside the bank's assessment area.

HMDA-Reportable Lending

Capital Crossing Bank's Loan Application Registers (LARs) were reviewed to determine the amount of credit extended within the bank's assessment area. During this period, the bank originated and purchased 1,608 HMDA-reportable loans totaling \$234.6 million. Of this amount, 5 loans, or 0.3 percent of the number and \$1.3 million or 0.6 percent of the dollar volume was purchased in the bank's assessment area. While this low concentration could be cause for concern, when taking into consideration the bank's business strategy of purchasing loans, the lending levels in the assessment area are based on the availability of loans to purchase.

Distribution of Home Mortgage Loans Inside and Outside of the Assessment Area								
Year	Inside				Outside			
	Number of Loans		Dollar in Loans (000s)		Number of Loans		Dollars in Loans (000s)	
	#	%	\$	%	#	%	\$	%
2000	2	0.4	1,069	0.7	514	99.6	149,632	99.3
2001	3	0.3	233	0.3	1,089	99.7	83,669	99.7
Total	5	0.3	1,302	0.6	1,603	99.7	233,301	99.4

Source: HMDA/LAR, CRA Wiz

The bank's distribution of small business and residential loans inside the assessment area is less than adequate. As depicted in the previous tables, a significant majority of Capital Crossing Bank's small business and residential loans were originated or purchased outside the bank's assessment area. In addition, the level of lending inside the assessment area for 2000 and 2001 is extremely low. There has also been a decrease in the level of lending for small business and residential loans from the previous examination. This decrease is attributable to the bank's business focus of purchasing loan pools that may or may not have loans inside the bank's assessment area. Consideration was given however to the fact that the institution has little control over the location of available pools.

As mentioned in the performance context, Capital Crossing Bank originates loans. The business focus, however, is purchasing large pools of loans throughout the United States. It should be noted that the bank's current business strategy is to grow in asset size through the purchase of these loan pools.

Based upon the above information, the percentage of loans and related lending activities are considered reasonable

II. Geographic Distribution

Small Business Lending

Capital Crossing Bank's small business loans were analyzed to determine the distribution by census tract income level within its assessment area.

The following tables depict this distribution.

Distribution of Small Business Loans by Income Category of the Census Tract						
Census Tract Income Level	2000		2001		Total	
	#	%	#	%	#	%
Low	3	33.3	3	12.5	6	18.2
Moderate	1	11.1	8	33.3	9	27.3
Middle	0	0.0	5	20.9	5	15.2
Upper	5	55.6	8	33.3	13	39.3
Total	9	100	24	100	33	100

Source: CRA data collection

As shown above, 18.2 percent of the small business loans originated or purchased were in low-income areas. 27.3 percent of the loans were made in moderate-income areas.

HMDA-Reportable Lending

HMDA-reportable loans located within the bank's assessment area were further analyzed to determine location by census tract income level. The assessment area is comprised of 479 census tracts: 7 or 1.4 percent are designated as NA; 47 or 9.8 percent as low-income; 136 or 28.4 percent as moderate-income; 179 or 37.4 percent as middle-income; and 110 or 23.0 percent as upper-income.

The seven census tracts designated as NA were not used to evaluate the bank's performance in this category because of the extremely limited lending potential, as described in the performance context.

The following table provides a breakdown, by number, of the bank's HMDA-reportable loans within its assessment area according to census tract income level. The table also shows the number of loans in comparison to the number of owner-occupied housing units in each census tract income category.

Distribution of HMDA Loans by Income Category of the Census Tract							
Census Tract Income Level	% Total Owner-Occupied Housing Units	2000		2001		Total	
		#	%	#	%	#	%
Low	1.3	0	0.0	0	0.0	0	0.0
Moderate	16.1	1	50.0	0	0.0	1	20.0
Middle	48.1	0	0.0	1	33.3	1	20.0
Upper	34.5	1	50.0	2	66.7	3	60.0
Total	100	2	100	3	100	5	100

Source: U.S. Census, HMDA LAR

As shown in the above table, 60.0 percent of the bank's total loans were within upper-income census tracts and 20.0 percent were within moderate and middle-income census tracts. These numbers indicate that the activity in these census tracts is not proportional to the percentage of owner-occupied housing units in the census tracts. Based upon the very small number of reviewed loans falling within the assessment area, no meaningful conclusion can be drawn. It should be noted that the bank's business focus is not in originating 1-4 family loans but rather in purchasing loan pools, particularly income producing real estate loans or loans that require workout.

The geographic distribution of the bank's loans by census tract income category may also be compared to that of all other HMDA-reporters in the assessment area. Other HMDA-reporters include bank and non-bank entities such as large national banking companies, other local banks, credit unions and mortgage companies. The most recent data available for this analysis relates to calendar year 2000. Again, it is difficult to assess the bank's HMDA performance in comparison to other institutions given the nature of its business.

The bank's distribution of small business loans and HMDA-reportable loans by census tract income level, reflects an adequate dispersion of loans throughout the assessment area dependent upon its business strategy

III. Borrower Characteristics

Small Business Lending

Small business loans originated or purchased within the bank's assessment area were further analyzed to determine the typical loan amount at origination. The majority of the small business loans originated and purchased in the bank's assessment area, during this time period, had loan amounts between \$250,000 and \$1 million. The following table depicts the distribution of small business loans within the bank's assessment area by loan amount at origination.

Distribution of Small Business Loans by Loan Size						
Loan Size (000s)	2000		2001		Total	
	#	%	#	%	#	%
< \$100	0	0.0	9	37.5	9	27.3
\$100 - \$250	3	33.3	7	29.2	10	30.3
> \$250 - \$1,000	6	66.7	8	33.3	14	42.4
Total	9	100	24	100	33	100

Source: CRA Data Collection

By dollar amount, 3.2 percent of the loans had amounts less than or equal to \$100,000 and 16.4 percent had loan amounts between \$100,000 and \$250,000. The remaining 80.4 percent had loan amounts greater than \$250,000.

Small business loans originated and purchased within the bank's assessment area during this period were also analyzed to determine the distribution among businesses of various sizes. The majority of small business loans originated during this period were granted to small businesses whose annual revenues were over \$1 million. The following table depicts the distribution of small business loans within the bank's assessment area by revenue of the business.

Distribution of Small Business Loans by Gross Annual Revenues of Business						
Gross Annual Revenues (000s)	2000		2001		Total	
	#	%	#	%	#	%
<= \$1,000	3	33.3	8	33.4	11	33.3
> \$1,000	6	66.7	11	45.8	17	51.5
Unknown	0	0.0	5	20.8	5	15.2
Total	9	100	24	100	33	100

Source: CRA Data Collection

HMDA-Reportable Lending

Capital Crossing Bank's residential loans were further analyzed to determine the distribution of lending by borrower income level. Borrowers reported incomes were compared to the median family incomes of the Boston, Lowell, and Fitchburg-Leominster Metropolitan Statistical Areas (MSA). The income figures are based on estimated Department of Housing and Urban Development (HUD) information. The estimated income for the Boston MA-NH MSA for 2000 and 2001 was \$65,500 and \$70,000. respectively. The estimated income for the Lowell MA-NH MSA for 2000 and 2001 was \$64,900 and \$ 70,200. The estimated income for the Fitchburg-Leominster MSA for 2000 and 2001 was \$53,100 and \$57,200.

Low-income is defined by the US Census Bureau as income below 50 percent of the median family income level for the MSA. Moderate-income is defined as income between 50 percent and 79 percent of the median family income level for the MSA. Middle-income is defined as income between 80 percent and 119 percent of the median income. Upper-income is defined as income equal to or greater than 120 percent of the median income.

The following table shows the number of HMDA-reportable loans granted to low, moderate, middle and upper-income borrowers in comparison to the number of households in the assessment area in each respective income group.

Distribution of HMDA Loans by Borrower Income							
Median Family Income Level	% Total House holds	2000		2001		Total	
		#	%	#	%	#	%
Low	25.6%	0	0.0	0	0.0	0	0.0
Moderate	16.3%	0	0.0	0	0.0	0	0.0
Middle	19.3%	0	0.0	0	0.0	0	0.0
Upper	38.8%	1	50.0	1	33.3	2	40.0
NA	-	1	50.0	2	66.7	3	60.0
Total	100%	2	100	3	100	5	100

Source: U.S. Census, HMDA LAR

During the period under review, HMDA loans within the assessment area were comprised of loans either purchased or secured by multifamily dwellings except for the two that were granted to upper-income borrowers. Under the reporting requirements for HMDA borrower income is not reported for loans purchased or secured by multifamily dwellings. Consideration has also been given to the availability of purchasable pools.

Based on the information above, the distribution of the bank's small business lending and HMDA reportable lending appear adequate, given the bank's business strategy.

IV. Community Development Lending

As defined in the CRA regulation, a community development loan has as its primary purpose: affordable housing for low and moderate-income individuals, community services targeted to low and moderate-income individuals, activities that promote economic development by financing small businesses or small farms, or activities that revitalize or stabilize low and moderate-income geographies. In addition, unless it is for a multifamily dwelling (five or more units), the loan must not be reported as a home mortgage or small business loan. Capital Crossing Bank has granted a reasonable level of qualified community development loans during the period examined.

On March 27, 2001, the bank granted a \$705,000 loan to an individual who maintains rooming houses in the Everett, MA area. The borrower has indicated that he will keep rent levels below market to maintain the building's stability. The majority of tenants at the rooming facility are on fixed incomes.

On December 13, 2001, the bank extended a \$345,000 line of credit to a real estate company for the acquisition of Franklin Highlands, a 270-unit affordable housing apartment complex near Franklin Park in Roxbury. Franklin Highlands was completely renovated by HUD in the Demonstration-Disposition Program. The residents of the project will be the limited partner, owning 95.5 percent, while the real estate company will be the general partner owning 0.5 percent. This real estate company provides

professional property management services to primarily low and mixed income federal and state subsidized housing units in Massachusetts and Vermont.

Capital Crossing Bank has made a number of small business loans that have assisted nonprofit organizations within its assessment or in a wider statewide area. Although not technically community development loans these loans have assisted many constituencies.

On June 1, 2001 the bank approved a \$300,000 line of credit to a non-profit expedition-based college preparatory high school. The school is designed to inspire and educate students who have struggled in traditional schools, but who possess unique strength and potential. The school's program integrates rigorous academics, service opportunities, and learning expeditions, which take students and educators into communities, businesses, cultures, and wilderness areas of North America.

V. Innovative or Flexible Lending Practices

Capital Crossing Bank designs and participates in loan programs aimed at meeting the credit needs of low and moderate-income homebuyers and small businesses. Details of these programs are as follows.

The bank has acquired a large volume of disaster assistance loans originated by or through the U.S. Small Business Administration. These loans consist of both disaster assistance business loans and disaster assistance home loans. In 2001 the bank acquired 279 disaster assistance home loans located in low and moderate-income census tracts with a balance of \$13,962,000. In addition the bank acquired 296 small business disaster loans in low and moderate-income census tracts for a balance of \$42,029,000.

VI. Fair Lending Policies and Practices

The bank's fair lending policy and procedures are comprehensive in nature and address specific areas such as loan review, staff training, fair lending procedures, the loan application and evaluation process as well as applicable rules and regulations regarding the Fair Housing Act, ECOA, and the Consumer Protection Act.

Employees are provided with training appropriate to their job description and their responsibilities regarding fair lending issues. All new employees review a PowerPoint presentation about CRA. This is provided in addition to the CRA training held annually for the bank staff. All employees are provided with an overview of Fair Lending. This includes information regarding both technical requirements as well as the more substantive and subtle issues related to unintentional discrimination and quality of assistance.

The bank's staff volunteer time at a variety of area organizations, which benefit from their training and expertise. Capital Crossing Bank markets its services and products primarily through the Internet.

The bank actively acquires portfolios of loans, including non-performing loans. The bank's goal is to work with the borrowers on such loans and return them to performing status. The bank's loan officers work closely with borrowers and educate them about the services the bank offers. Delinquent customers are directed to the appropriate credit-counseling agency for guidance.

Minority Application Flow

Due to the bank's unique business strategy of purchasing loan pools, a review of the bank's minority application flow was not conducted, since government monitoring is not collected for the majority of the loan portfolio.

VII. Loss of Affordable Housing

The bank's participation in community development projects has assisted low and moderate-income individuals and small businesses to remain in their neighborhoods.

INVESTMENT TEST

The bank's performance as it relates to the Investment Test is considered "Satisfactory." The CRA regulation defines a qualified investment as a lawful investment, deposit, membership share, or grant that has community development as its primary purpose. Community development includes affordable housing for low- and moderate-income individuals, community services targeted to low and moderate-income individuals, activities that promote economic development by financing small businesses or small farms, and activities that revitalize or stabilize low- and moderate-income geographies. In recognition of the many legal limitations on bank investments, the CRA regulation allows some reasonable consideration for the entire bank portfolio of qualified investments, not just those made since the previous CRA examination. The following describes the institution's qualified investments.

Capital Crossing Bank has demonstrated an adequate level of responsiveness to community housing and economic development needs. Qualified investments consist of an equity investment in a not-for-profit organization, certificates of deposit in a community development financial institution and grants to charitable organizations that assist the low and moderate-income individuals and provide education and training, neighborhood revitalization, youth programs, and health and human services. Summarized below are the bank's qualified investments.

Qualified Investments

Massachusetts Housing Investment Corporation (MHIC)

The Massachusetts Housing Investment Corporation (MHIC) was founded in 1990 to improve and expand the financing of affordable housing throughout the State. Its mission of financing projects that have typically been unable to secure financing from traditional sources is funded through pooled resources of Massachusetts' banks and corporations. The loan pool provides construction for affordable housing to non-profit as well as for profit developers. Capital Crossing Bank was one of the original financial institutions to commit funds to a revolving loan pool administered by MHIC.

In 2000, MHIC developed a plan to restructure its existing loan pool as a limited liability corporation (LLC). Through this restructure, Capital Crossing Bank's \$250,000 loan commitment was converted to an equity interest in the LLC. The restructure is intended to provide more flexible financing products to its customers and attract new capital, allowing MHIC to diversify its investor base.

Boston Bank of Commerce

Boston Bank of Commerce is an institution designated as a Community Development Financial Institution (CDFI). CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary purpose. They provide loans or investments that conventional financial institutions are unable to make and they link financing to other developmental activities. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. CDFIs share a common mission and can be chartered as a credit union or bank. CDFIs can also be unregulated nonprofit institutions that gather private capital from a range of social investors for community development lending or investing. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, microenterprise funds, and community development venture capital funds. A certified CDFI must meet eligibility requirements, which include having a primary purpose of promoting community development; serving an investment area or target population; providing development services; maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means; and not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

Capital Crossing Bank and two subsidiaries maintain three \$100,000 certificates of deposit at Boston Bank of Commerce. The initial deposits were made in December of 1999 and renewed in December 2000 and December 2001. Each deposit has one-year maturity. The bank plans to renew the certificates of deposit upon maturity in December of 2002.

Charitable Contributions

The bank has made contributions to various organizations that offer education and training, shelter, neighborhood revitalization, and human services for those in need. This involvement promotes community development, as defined under the CRA regulation. Total qualified grants for calendar years 2000 and 2001 totaled \$223,200 or 60.0 percent of Capital Crossing Bank's total contributions of \$369,225 for the two-year period.

The following are examples of the organizations and community groups the bank has given grants and donations to:

Greater Four Corners Action Coalition

This community based organization's primary purpose is to stabilize the Four Corners neighborhood of Dorchester by fostering commercial revitalization and growing community awareness around the economic, social, and housing needs of its residents.

Wediko Children's Services

Wediko Children's Services provides therapeutic and educational services for children with serious emotional problems. The bank's contribution is earmarked to pay for services for children from low and moderate-income families from the greater Boston area.

Saint Francis House

St. Francis House is a nonsectarian, private, nonprofit shelter. In addition to basic services, St. Francis house offers substance abuse and mental health counseling, housing and employment assistance, and literacy classes. The bank's contribution supported renovations to the shelter building involving the realignment of space to expand a waiting area; expansion of the Career Center to serve more individuals, establishment of a first day treatment center for recovering substance abusers, and upgrade of the environmental systems.

Shackelton Schools

This college preparatory, residential high school is designed to inspire and educate students who have struggled in traditional schools, but who possess unique strengths and potential. Capital Crossing Bank's grant provides tuition assistance to students who live in Middlesex County, Suffolk County, or Brookline Massachusetts and who are from low and moderate-income families.

Asian Community Development Corporation (ACDC)

ACDC is a nonprofit, community based organization that was established in May of 1987 with the primary goal of developing affordable housing for the community. The Corporation develops physical community assets, including affordable housing for rental and ownership, promotes economic development, build capacity within the community and advocates on behalf of the community. The bank's contribution was granted in support of the agency's efforts to conduct a needs assessment survey of the community outreach and to identify projects responsive to those needs.

Boston Urban Youth Foundation (BUYF)

BUYF, based in Roxbury Massachusetts, is a non-profit, independent organization working with troubled youth in Boston. BUYF's mission is to help young people grow emotionally, spiritually, academically and economically. The school targets at-risk youth from Boston's poorest neighborhoods. Public housing residents are a key focus. Capital Crossing Bank's grant is to pay the tuition for students from low and moderate-income families.

The City School

The City School is a center for civic education during "out of school" time. The center develops the long-term leadership capacity of diverse young people concerned with social justice. Founded in 1995 by Cathedral High School, Boston Latin School, and Milton Academy, The City School's programs unite high school students from the full range of society in programs that combine three components: Community service, academic study, and leadership development.

United South End Settlements

This community based human service agency provides preschool, after school, adult literacy, elderly cultural and computer programs for lower income families. Capital Crossing Bank's donation was in support of the agency's childcare, eldercare and job skills training to the residents of Boston's South End.

In addition to the above noted organizations, Capital Crossing Bank has also contributed to several other agencies that meet the definition of community development. These organizations include, but are not limited to, New England Shelter for Homeless Veterans, Department of Social Services Kids Fund, Boston Rescue Mission, Boston Partners in Education, Habitat for Humanity, Lawyers Clearing House on Affordable Housing, Home for Little Wanderers, Philoxeria House, Big Brothers of Massachusetts Bay, Veterans Northeast Outreach Center, Merrimack Valley YMCA, Epiphany School, and Caritas Communities.

Capital Crossing Bank's performance under the Investment Test is considered to be at a satisfactory level at this time. Management has been successful in targeting organizations within the assessment area to contribute a large amount of community development grants and donations. Total qualified investments as a percentage of net income totaled 6.6 percent and 5.9 percent in 2000 and 2001, respectively. Given its asset size as well as the dollar amount of qualified grants to area organizations within the

assessment area, Capital Crossing Bank's performance under the Investment Test is considered to be "Satisfactory."

SERVICE TEST

The Service Test evaluates an institution's record of helping to meet the credit needs of its assessment area by analyzing both the availability and effectiveness of an institution's systems for delivering retail banking services and the extent and innovativeness of its community development services. Capital Crossing Bank's service activities are rated "Satisfactory."

The bank's main office is located in the financial district of Boston which is also designated as a low-income census tract. Its systems for delivering retail-banking services are accessible to geographies and individuals of different income levels within its assessment area. In addition, officers and employees of Capital Crossing Bank have demonstrated an adequate level of involvement in community organizations located throughout its assessment area. The following details the institution's services.

RETAIL BANKING SERVICES

Distribution of Branches

The bank maintains two banking locations. The main office is located at 101 Summer Street in the financial district of Boston, which is designated as a low-income census tract. The branch office is located at 1220 Boylston Street in the Chestnut Hill section of Brookline, which is designated as an upper-income census tract. Hours of operation are Monday through Friday 9:00 a.m. to 4:30 p.m. at the main office and from 8:00 a.m. to 4:00 p.m. at the branch office. Of the 122 full-time and 3 part-time employees at Capital Crossing Bank, 18 speak several different foreign languages. This provides better service to its members of different ethnic backgrounds.

Record of Opening and Closing Branches

Capital Crossing Bank did not open or close any offices since the previous examination.

Alternative Retail Banking Services

The Chestnut Hill branch maintains the bank's only Automated Teller Machine (ATM). This ATM is part of the SUM network that allows the bank's customers to make withdrawals without charge using the ATMs of other financial institutions that participate in the network. The ATM is also part of the NYCE shared deposit network that allows the

bank's customers to make deposits using the ATMs of other financial institutions that participate in the network without charge.

Capital Crossing Bank continues to offer bank by mail, online banking and toll free customer service access. Online banking was introduced to customers in 1999, enabling customers to apply for new accounts, review account statements, read disclosures, transfer funds, and make bill payments. The telephone bank system allows the customer to check interest rates on accounts, transfer funds, verify funds, perform account inquiries, and change personal access codes.

Other Retail Services

In addition to the delivery channels, Capital Crossing Bank also offers retail products that provide service to people of all income levels. The bank offers three checking accounts (a basic checking, NOW, and Relationship Plus Checking) and savings accounts. The basic checking account requires a \$100 minimum deposit to open the account, with the monthly service fee of \$3.50 waived if the opening balance is maintained. All checking accounts offer free on-line banking transactions and on-line bill payments, as well as unlimited check writing, deposits and withdrawals. A personal savings account is also offered. This account requires a \$100 minimum deposit to open the account, while maintaining a \$100 minimum balance to avoid the monthly service charge of \$3.00.

Capital Crossing Bank also participates in the voluntary Interest on Lawyers Trust Accounts (IOLTA) program, a partnership between the legal community and the banking community. Through this program, all attorney client funds are placed in pooled interest-bearing accounts and the interest is remitted monthly to the Massachusetts IOLTA Committee for distribution to the Massachusetts Legal Assistance Corporation, the Massachusetts Bar Foundation, and the Boston Bar Foundation. All IOLTA funds received by these organizations are used to support the delivery of legal services to the poor.

In addition, Capital Crossing Bank was chosen in 2001 as the recipient of the "Great Friends of Justice Award" for paying one of the highest rates of interest in Massachusetts on IOLTA accounts.

COMMUNITY DEVELOPMENT SERVICES

The CRA regulation defines a community development service as a service whose purpose is primarily community development and is related to the provision of financial services. Representatives of the bank, including officers, directors and employees, lend their technical expertise, experience, and judgment to organizations that directly address economic and affordable housing development. The following is a sample of these involvements.

The bank's Vice President, Compliance & CRA Officer serves on the Advisory Board for the Four Corners Main Streets Program. This program provides technical and financial

assistance for the revitalization of the Dorchester neighborhood. In 2001, this officer was awarded the "Greater Four Corner's Action Coalition Community Service Award." This same officer also serves on the Finance and Administration Committee for the Boston chapter of the Habitat for Humanity. Habitat builds decent housing for low-income individuals who would not otherwise be able to afford it. This officer was also chosen to receive the "Golden Hammer Award" in recognition for his services to the Habitat for Humanity organization.

The bank's Chairman of the Board of Directors & Co-CEO and the President and Co-CEO serve as Co-Chairman of the City School's annual fundraising. A Vice President, Administration served as advisor to the City School and a Director of the Bank serves on the Building Committee of the School. The Committee is charged with the responsibility of locating and developing a new facility for the school. As mentioned in the investment test section of this report, the City School administers after school programs that stress community service, including outreach programs concerned with poverty and homelessness.

The bank's Chairman of the Board of Directors and Co-CEO also serves as a director for the Boston Police Activities League. The League provides programs for at risk youth in Boston. This officer also serves as a director for the Milton Residences for the Elderly. This organization builds and manages affordable housing in Milton for the elderly.

A Director of the Bank serves as director and Treasurer of the Friends of Boston Homeless. This individual also serves on the Board of Advisors to the Women's Educational and Industrial Union, which provides job skills training to women.

A Senior Vice President, Asset Management serves as a director, and as a member of the Executive, Finance, Strategic Planning, Capital Campaign, Facility, and Long Range Planning Committees of the Merrimack Valley YMCA. The Y provides day care and job counseling and training services for the northern portion of Middlesex County. It also runs a 90 room SRO for indigent men. Last year it provided over \$500,000 in scholarships to students from low-income families.

A Vice President, Asset Management serves as director and as a member of the Finance and Fundraising Committees for the Jewish Big Brother, Big Sister Program in Boston, which provides mentoring to under privileged children.

A Senior Vice President, Relationship Banking serves as member of the Credit Review Committee for the Massachusetts Housing Investment Corporation (MHIC). MHIC finances affordable housing and community development. This individual also serves as a member of the MassDevelopment's Brownfields Advisory Group. The group provides environmental advisory overview for the development of affordable housing and commercial revitalization throughout Massachusetts.

The Assistant Vice President, Environmental Services participates in Boston Money Management Program, which provides volunteers who assist the elderly in reviewing and paying their bills.

Capital Crossing Bank is also actively involved in other efforts, which may not be designated as qualified community development services but nonetheless reflect the bank's positive image with respect to its involvement in the community. For example, in the two year period under review, officer and employees of Capital Crossing Bank have cleared and landscaped property owned by a nonprofit organization that provides affordable housing to low-income individuals, have served dinner to 340 homeless persons at the Pine Street, Inn and have sponsored a gift drive for the Home for Little Wanderers in which approximately \$2,000 worth of gifts were delivered. Although these activities do not qualify as community development, they provide valuable services to the local community.

As illustrated above, officers and employees of Capital Crossing Bank have demonstrated an adequate level of service activity and involvement in community organizations throughout its assessment area, and its systems for delivering retail banking services are accessible to geographies and individuals of different income levels within its assessment area. A rating of satisfactory is warranted.

APPENDIX A

SCOPE OF EXAMINATION

Capital Crossing Bank has one assessment area, which was reviewed using the examination procedures for large banks. The assessment area consists of Suffolk County and Middlesex County in their entirety and the Town of Brookline in Norfolk County. This assessment area is located in the Boston Metropolitan Statistical Area, the Lowell Metropolitan Statistical Area, and the Fitchburg-Leominster Metropolitan Statistical Area.

The CRA evaluation included HMDA-reportable loans and small business loans. The time period used was January 1, 2000 to December 31, 2001. All loans recorded on the 2000 and 2001 HMDA/LAR were included in the evaluation of the bank's lending performance. In addition, all loans recorded on the 2000 and 2001 Small Business Loan Registers (as defined under the new data collection requirements of the revised CRA regulation) were included in the evaluation of the bank's lending performance.

Internal analysis generated by management was reviewed during the examination, as was comparative data for the assessment area obtained from CRA WIZ. The examination also included a review of the bank's Public File, which contained no negative CRA-related comments.

THE COMMONWEALTH OF MASSACHUSETTS

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

CAPITAL CROSSING BANK

for compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **JANUARY 22, 2002**, has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

A majority of the Board of Directors/Trustees

Dated at _____ this _____ day of _____ 20 ____

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.

